



# Credit & Sustainability Framework Update

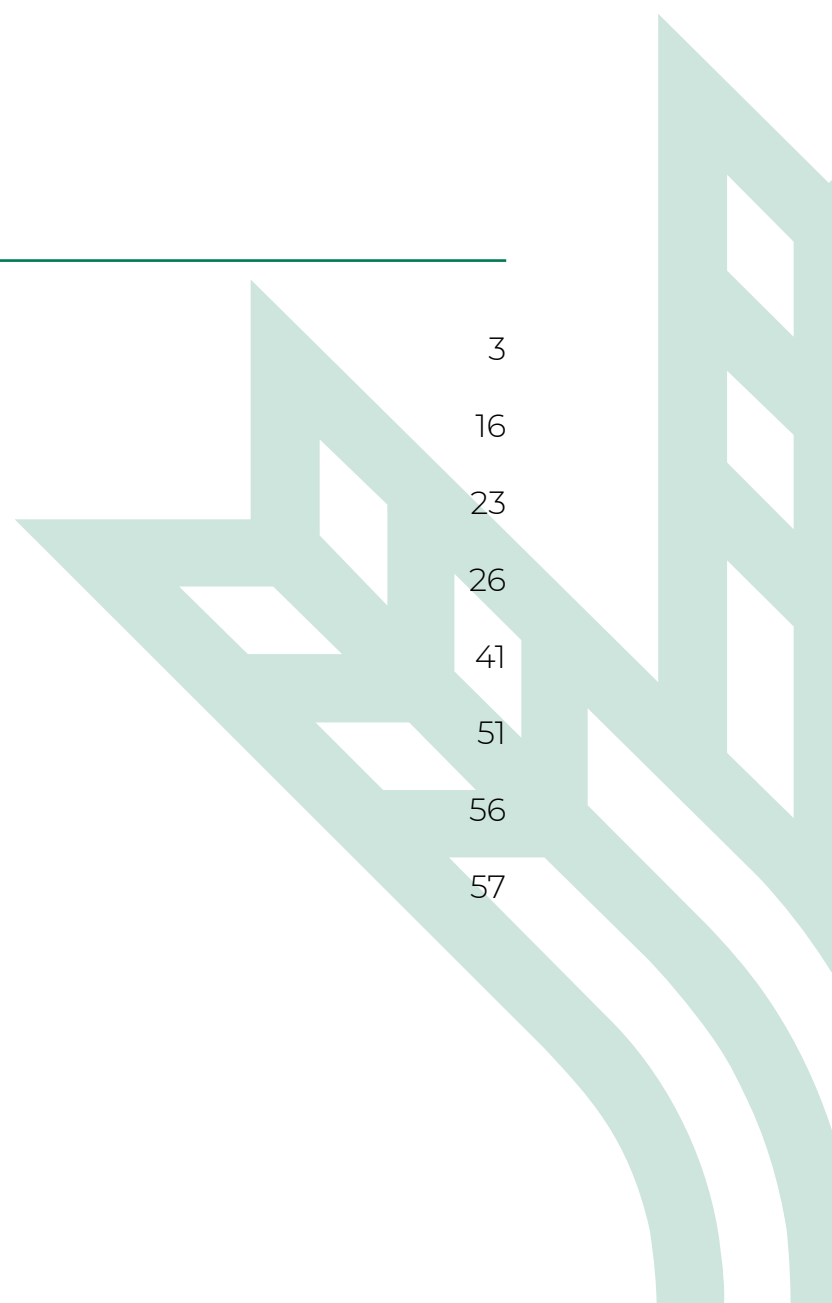
May 2020



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Red vineyard in Estella.

# 1. CAJA RURAL DE NAVARRA, CREDIT COOPERATIVE

# CAJA RURAL DE NAVARRA – COMPANY PROFILE

- Established in 1910 as the central institution of the local co-operatives of the region and evolving from 1946 as a regional co-op bank.
- Its origins were rooted in the rural and agribusiness environment of that time, but the bank's activities have developed in line with the strong industrialisation of its home region.
- Founding member of AECR (Asociación Española de Cajas Rurales), and its central institutions (BCE, RSI and RGA). It is the 1st Caja Rural of the AECR by assets and by equity.
- Caja Rural Group (through UNACC) belongs to the European Association of Cooperative Banks (EACB).



EUROPEAN ASSOCIATION  
OF CO-OPERATIVE BANKS

**Rabobank**

 **DZ BANK**

 **CRÉDIT AGRICOLE**  
CORPORATE & INVESTMENT BANK

 **BANCO  
COOPERATIVO  
ESPAÑOL**

**RAIFFEISEN**

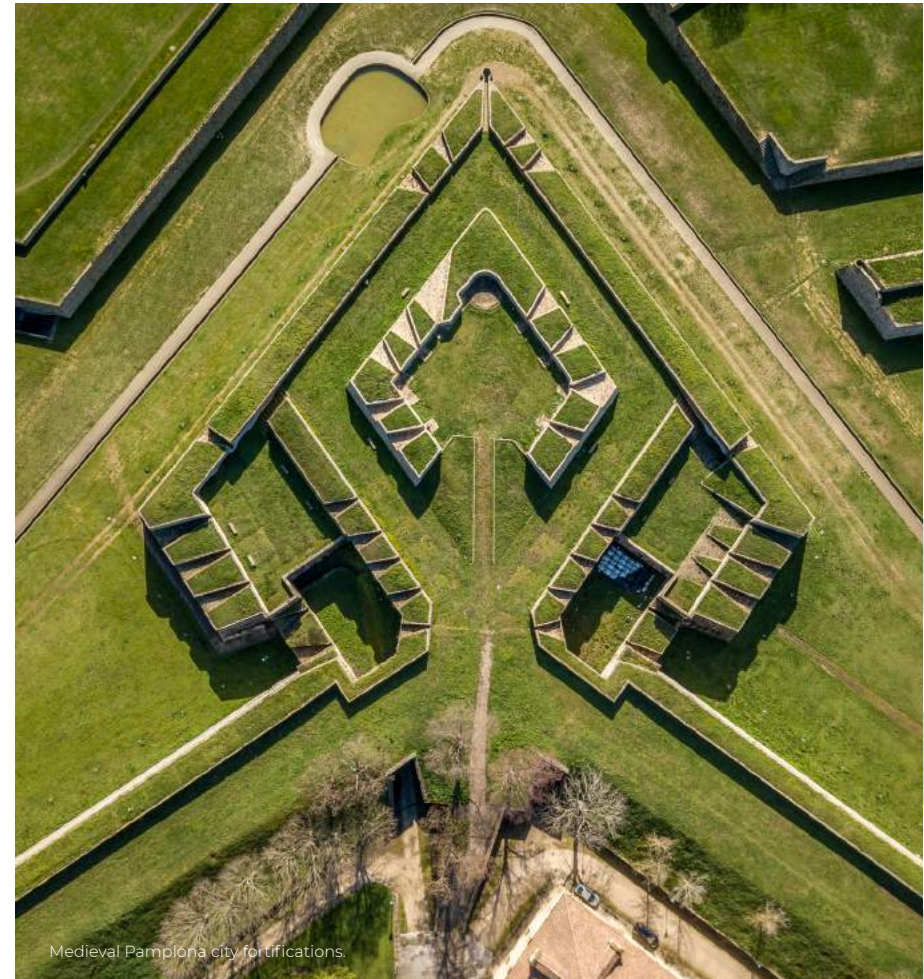


 **BCC**  
CREDITO COOPERATIVO

 **Raiffeisen  
BANK**

# CAJA RURAL DE NAVARRA – COMPANY PROFILE

- Banking culture firmly based on austerity, local focus, risk control, accountability and transparency, in line with the co-operative tradition.
- Strategy of stable growth in its region. No country-wide expansion plans, no aggressive development in any other business apart from retail banking. This strategy remains within the overall strategy of the Caja Rural Group and most co-operative banking groups in Europe.
- Retail business is focused on serving the needs of individuals and SMEs in our regions.
- More than 164,000 co-op members (shareholders), with a wide representation of different sectors of our economy and society.
- 252 branches distributed all over the regions of Navarre, Basque Country and Rioja. Navarre and Basque Country account for 90% of the loan book.
- Sustainability Framework for its Bond issuance > Use of proceeds into loan portfolio.

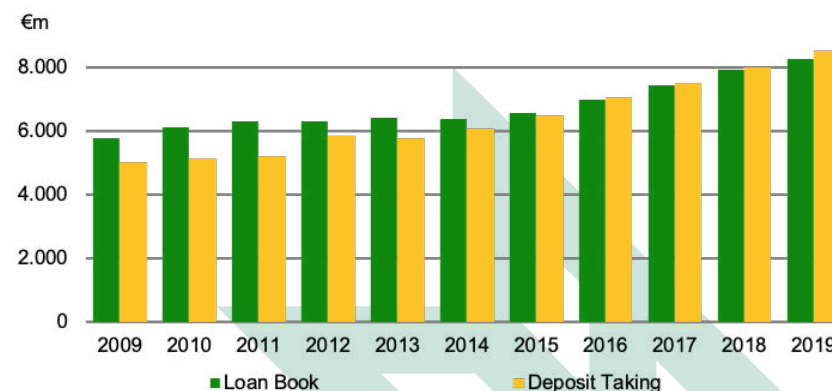


# CAJA RURAL DE NAVARRA – FINANCIAL HIGHLIGHTS<sup>1</sup>

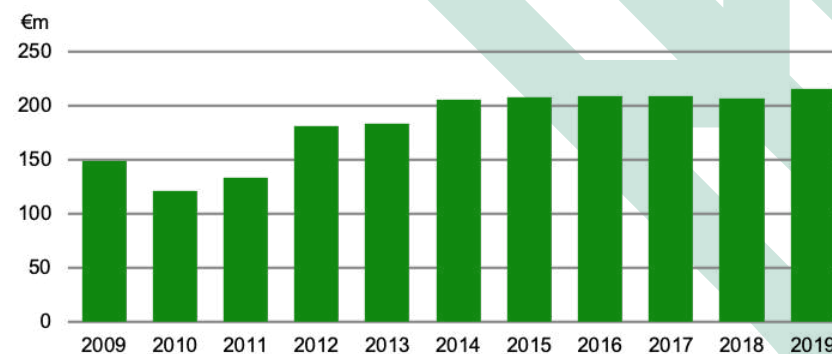
## KEY FINANCIAL DATA<sup>2</sup> (IN MILLIONS OF €URO)

	DEC 19	DEC 18	DEC 17
<b>Total Assets</b>	12,946	12,038	11,557
<b>Average Total Assets</b>	12,544	11,770	11,246
<b>Risk Weighted Assets (RWA)</b>	7,255	6,724	6,458
<b>Total Equity</b>	1,213	1,099	1,058
<b>of which Tier 1</b>	1,218	1,103	1,027
<b>Gross Loans</b>	8,262	7,944	7,447
<b>Deposits</b>	8,741	8,021	7,534
<b>Employees</b>	963	965	959
<b>Branches</b>	253	252	250
<b>Net Interest Income</b>	163.0	150.0	154.3
<b>Pre-tax Profit</b>	94.3	103.0	85.3
<b>Net Income</b>	85.2	91.2	86.8

## DEPOSITS AND LOAN BOOK



## NIMS + FEES



<sup>1</sup> Individual basis.

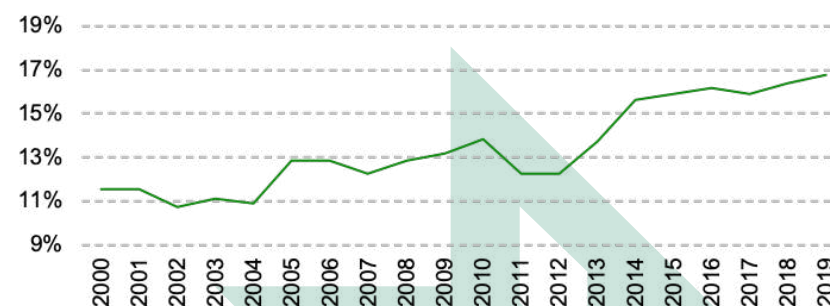
<sup>2</sup> Provisional non-consolidated data (non-audited and pending approval by the General Assembly). Based on end-2019 financial data.

# CAJA RURAL DE NAVARRA – FINANCIAL HIGHLIGHTS<sup>1</sup>

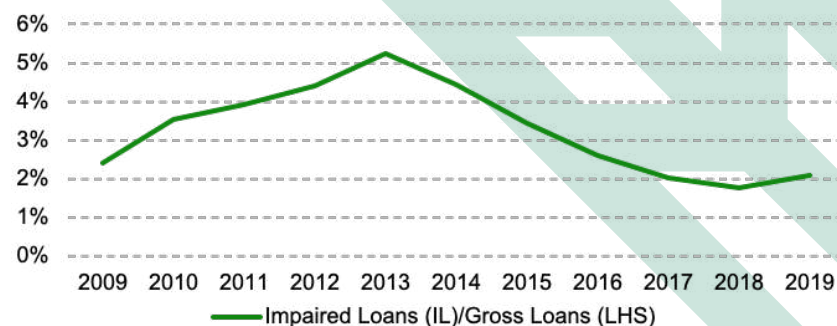
## FINANCIAL RATIOS<sup>2</sup>

	DEC 19	DEC 18	DEC 17
<b>Capitalization</b>			
Core tier 1 regulatory capital ratio (phased in) <sup>3</sup>	16.79%	16.40%	15.90%
Core tier 1 regulatory capital ratio (fully loaded) <sup>3</sup>	16.58%	16.12%	15.84%
Equity / total assets	9.37%	9.13%	9.15%
<b>Asset quality indicators</b>			
Growth of gross loans	3.99%	6.68%	6.48%
NPL	2.09%	1.77%	2.02%
<b>Profitability ratios</b>			
Net interest income / total assets	1.26%	1.25%	1.34%
Pre-tax profit / average total assets	0.75%	0.88%	0.76%
RoE	7.85%	9.18%	9.35%
<b>Funding</b>			
Gross loans / customer deposits (LtD)	94.52%	99.04%	98.85%
<b>Liquidity</b>			
LCR	370%	510%	605%
NSFR <sup>4</sup>	153%	153%	147%

## CORE TIER 1 REGULATORY CAPITAL RATIO (PHASED IN)<sup>3</sup>



## IMPAIRED LOANS



<sup>1</sup> Individual basis.

<sup>2</sup> Provisional non-consolidated data (non-audited and pending approval by the General Assembly). Based on end-2019 financial data.

<sup>3</sup> Calculated with the standard method.

<sup>4</sup> Provisional data: NSFR final requirement and calculation method are not definitely approved. Ratio calculation based on current available information.

# CAJA RURAL DE NAVARRA – FINANCIAL HIGHLIGHTS

## RATINGS

Issuer rating (Fitch / Moody's)

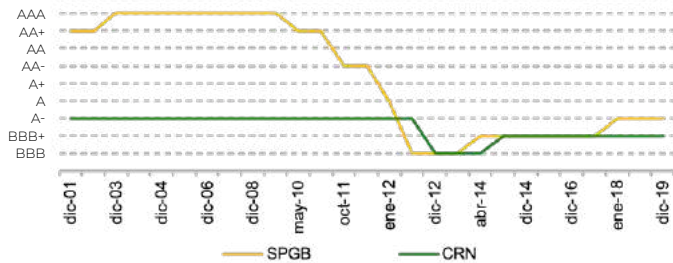
BBB+ (negative)/ Baa1 (stable)

Covered Bond rating (Moody's)

Aa1

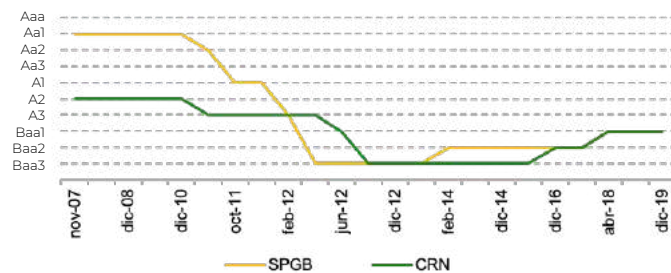
### FITCH

FitchRatings



### MOODY'S

MOODY'S



- CRN is among the very few Spanish banks having retained investment grade ratings by both Moody's and Fitch throughout the financial and sovereign crisis.

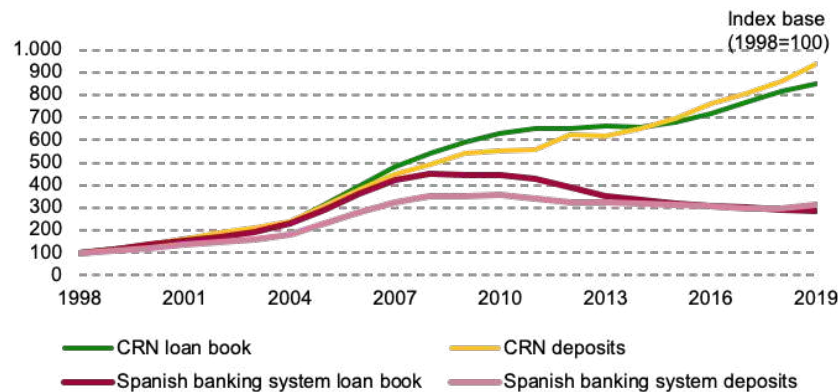
- Past rating downgrades were always carried out as a result of sovereign downgrades and the application of the rating agencies methodology in terms of country ceiling.

# CAJA RURAL DE NAVARRA – FINANCIAL HIGHLIGHTS<sup>1</sup>

- **Solid asset quality** (NPL ratio of **2.09%**).
- CRN has **high solvency ratios** (CET1 phase in/fully loaded: **16.79% /16.58%**) owing to its high level of earnings retention, as co-operative by-laws require the yearly surplus to become part of undistributable reserves
- The bank´s ratings reflect this situation, keeping a level of **BBB+ (negative)** by Fitch and **Baa1 (stable)** by Moody's. Only four Spanish banks (BBVA, Santander, Caixabank and **Caja Rural de Navarra**) have maintained investment grade ratings by both agencies throughout the crisis.
- **Low exposure** to Real Estate (**3.89%** of Total Loans), in regions with a much more stable housing market due to regional economic conditions and the absence of a tourism-related building boom.
- **Strong local franchise: 29.40% market share in deposits and 25.77% credit in Navarre in September 2019. More than half the population over 18 years-old in Navarre is a customer of CRN.**
- CRN is committed to further increasing its profitability by achieving a balance between growth and sustained margins, controlled expansion and increased fee generation. Despite Caja Rural de Navarra's sound capital ratios, **RoE ratio is resilient at 7.85%.**

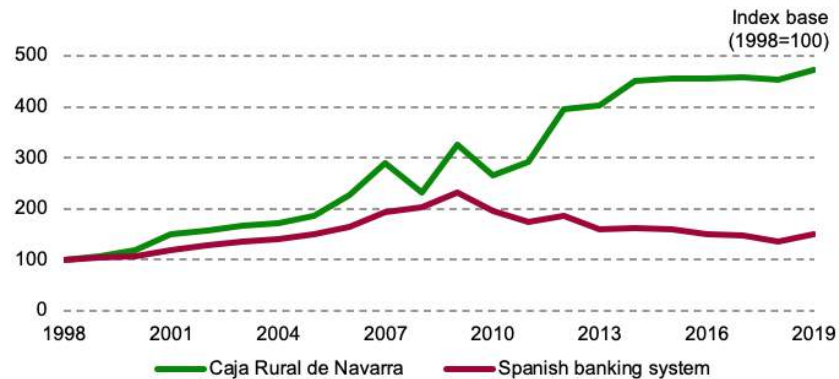
# CAJA RURAL DE NAVARRA – MAIN FINANCIAL DATA

## DEPOSIT TAKING AND LOAN BOOK



- On the long run CRN has significantly gained market share by outpacing the growth of the overall financial sector **after the crisis**, due to its ability to maintain a retail and regional business model coupled with ample capital and liquidity buffers, combined with a ‘throughout-the-cycle’ healthy asset quality.
- Income sources (NIM+Fees) have grown much more than the Spanish financial sector average, reflecting a self-sustained and organic growth model which keeps profitability and efficiency as key strategic targets.

## NIIMS + FEES



# CAJA RURAL DE NAVARRA – MAIN FINANCIAL DATA

## RATINGS

ENTITY	Total Capital SREP Requirement 2018	Phase-in total Capital Ratio (Dec-19)	Surplus
Kutxabank	11.70%	17.17%	5.47%
Bankia	12.75%	18.10%	5.35%
<b>Caja Rural de Navarra</b>	<b>11.63%</b>	<b>16.79%</b>	<b>5.16%</b>
Unicaja	12.25%	17.10%	4.85%
Ibercaja	12.50%	16.40%	3.90%
CaixaBank	12.28%	15.70%	3.42%
BBVA	12.77%	15.92%	3.15%
Sabadell	13.13%	15.70%	2.57%
Bankinter <sup>1</sup>	11.70%	13.94%	2.24%
Santander	13.18%	15.05%	1.87%

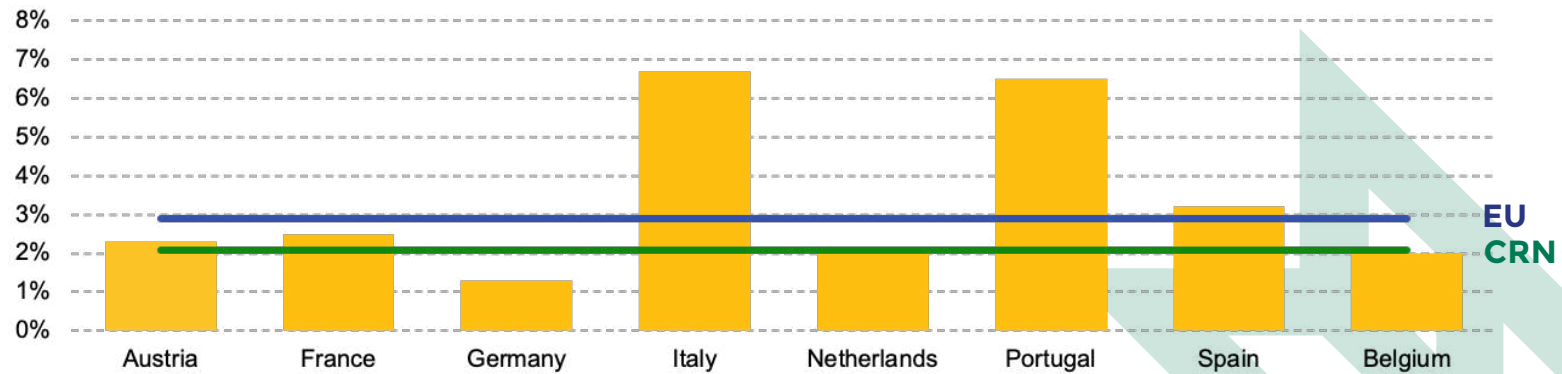
- Lower SREP requirements due to CRN's credit profile.
- Nevertheless, CRN's capitalization is among the highest, leading to top performance in terms of surplus solvency ratios. Moreover, solvency quality is very high, with CET1 making up 100% of total capital ratio.
- No material MREL issuance needs foreseen, due to very high total capital ratios.

Source: CNMV, public information.

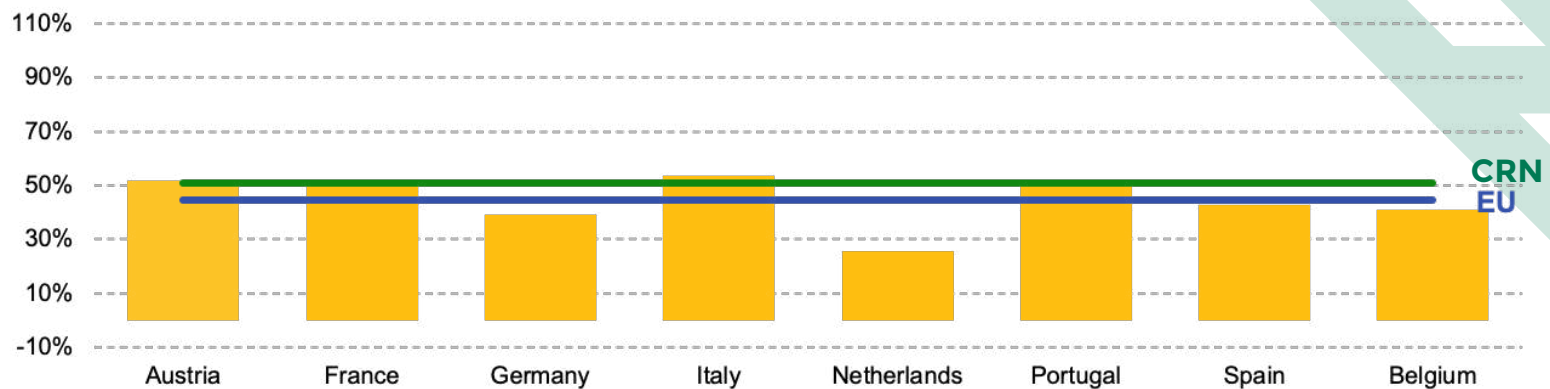
<sup>1</sup> Fully loaded total capital ratio data.

# CAJA RURAL DE NAVARRA – MAIN FINANCIAL DATA

## NON-PERFORMING LOANS



## COVERAGE RATIO



# CAJA RURAL DE NAVARRA – MAIN FINANCIAL DATA



	EU Banks <sup>(1)</sup>	CRN <sup>(2)</sup>
<b>CET1 ratio (transitional)</b>	15.00%	16.79%
<b>CET1 ratio (fully loaded)</b>	14.80%	16.58%
<b>NPL ratio</b>	2.70%	2.09%
<b>Efficiency ratio</b>	64.00%	42.31%
<b>RoE</b>	5.80%	7.85%
<b>Leverage ratio (fully phased-in)</b>	5.50%	8.82%

<sup>1</sup> Source: European Banking Authority (EBA). Data as of 4Q2019. Data includes Norway and Iceland.

<sup>2</sup> Source: Caja Rural de Navarra. Data as of 4Q2019.

# CAJA RURAL DE NAVARRA – COVID19 – IMPACT

SENSITIVITY INDEX TO THE COVID-19 CRISIS TO THE MOST SENSITIVE SECTORS		
REGIONS	SENSITIVE SECTORS	HOSTELS AND RESTAURANTS
Canarias	140,8	231,38
Baleares	130	209,12
Andalucía	110,08	116,2
Valencia	109,79	106,79
Murcia	108,51	91,64
<b>TOTAL NACIONAL</b>	<b>100</b>	<b>100</b>
Cataluña	98,14	87,67
Asturias	96,55	93,63
Cantabria	96,09	97,3
Ceuta	94,4	93,12
Madrid	93,42	81,32
Galicia	92,3	80,52
La Rioja	90,67	86,39
Melilla	89,24	93,78
<b>Basque Country</b>	<b>88,72</b>	<b>77,23</b>
Extremadura	86,71	77,23
Castilla y León	86,65	83,06
Aragón	82,81	76,73
<b>Navarre</b>	<b>81,96</b>	<b>72,56</b>
Castilla - La Mancha	75,12	73,4

Sensitive sectors: retail and wholesale trade, automotive, hotels and restaurants, real estate, education, entertainment, artistic and leisure activities

Source: Data from Social Security system as of March-April 2020.

- Industrial sectors are much more relevant to the economy of Navarre and Basque Country (around 30% of their GDP) than to the Spanish average (15%).

- Moreover, the service sectors most impacted by Covid-19 affect markedly less CRN's portfolio, with a tourism-related exposure which is half the country's average.

Sectors' exposure to impacts of coronavirus vary. EMEA coronavirus heat map.

HIGH EXPOSURE	MODERATE EXPOSURE	LOW EXPOSURE
· Automotive and auto suppliers	· Chemicals	· Building materials
· Apparel	· Manufacturing	· Construction
· Retail (non-food)	· Oil and gas	· Technology services
· Passengers airlines	· Steel production	· Real state
· Tourism/Lodging/Cruise	· Metals & Mining	· Retail (food)
· Global shipping	· Services companies	· Telecoms
· Consumer durables	· Media	· Defense
· Restaurants	· Gaming	· Utilities
· Leisure & entertainment	· Education services	· Packaging
	· Beverages	· Pharmaceuticals
		· Healthcare services

Source Moody's Investors Service.

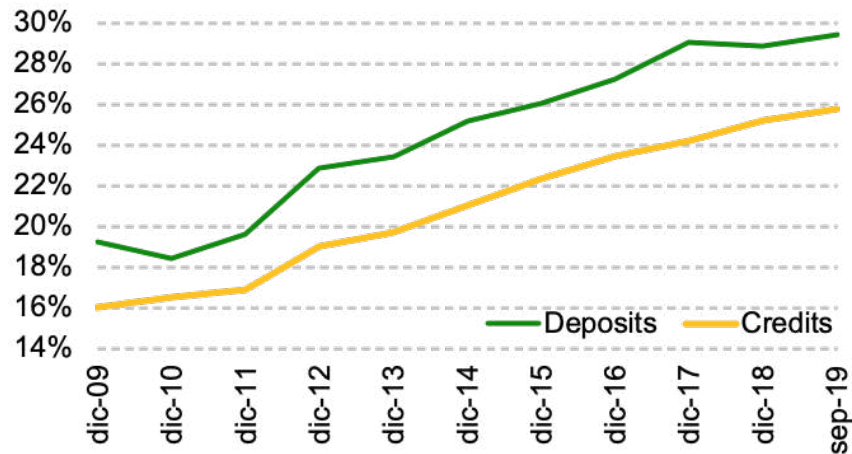
Corporate Sector Risk to COVID-19 loan book impact <sup>1</sup>	Corporate exposure (millions of €)	Share of corporate exposures	Share of total loan exposures
<b>LOW</b>	2.562	64,0%	29,9%
<b>MODERATE</b>	796	19,9%	9,3%
<b>HIGH</b>	643	16,1%	7,5%
<b>TOTAL corporate loan exposures</b>	<b>4.001</b>		
<b>TOTAL loan exposures</b>	<b>8.570</b>		

**CRN is heavily oriented to those sectors identified by Moody's as "low" or "medium" exposure to Covid-19.**

<sup>1</sup> Data as of 3Q2020.

# CAJA RURAL DE NAVARRA – STRATEGY

## MARKET SHARE ( DEPOSITS AND CREDITS IN NAVARRE)<sup>1</sup>



- Caja Rural de Navarra –as it is the case of many co-operative banks- has become the only local financial institution in its home market after the restructuring of the Spanish financial sector.

- This position offers a huge historical opportunity for co-operative banks, underpinned by their efficiency through Group structures while maintaining their independence and local focus.

- Caja Rural de Navarra offers a wide range of services through its “Ruralvia” app, available on computer, table and smartphone.

### Digital customers in CRN<sup>2</sup>:



- ▶ **31.86% of individuals**
- ▶ **89.12% of legal persons**

Source: Caja Rural de Navarra, Bank of Spain.

<sup>1</sup> Data as of September 2019.

<sup>2</sup> Data as of September 2019.

2020 Credit and Sustainability Framework **CRN**



Nature Reserve of Larra-Belagua

## 2. OPERATIVE ENVIRONMENT

# OPERATIVE ENVIRONMENT - SPAIN

## UNEMPLOYMENT

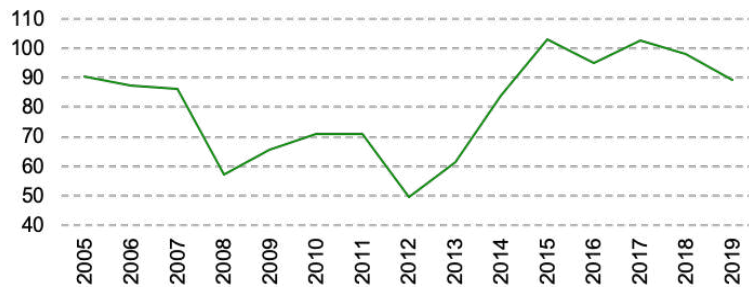


## GDP

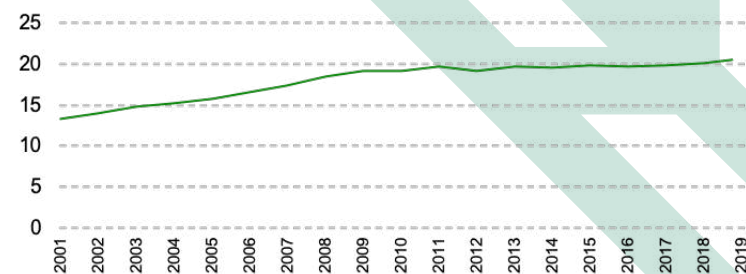


**Positive macro developments trends in Spain.**

## CONSUMER CONFIDENCE INDICATOR



## COST PER HOUR WORKED<sup>1</sup>

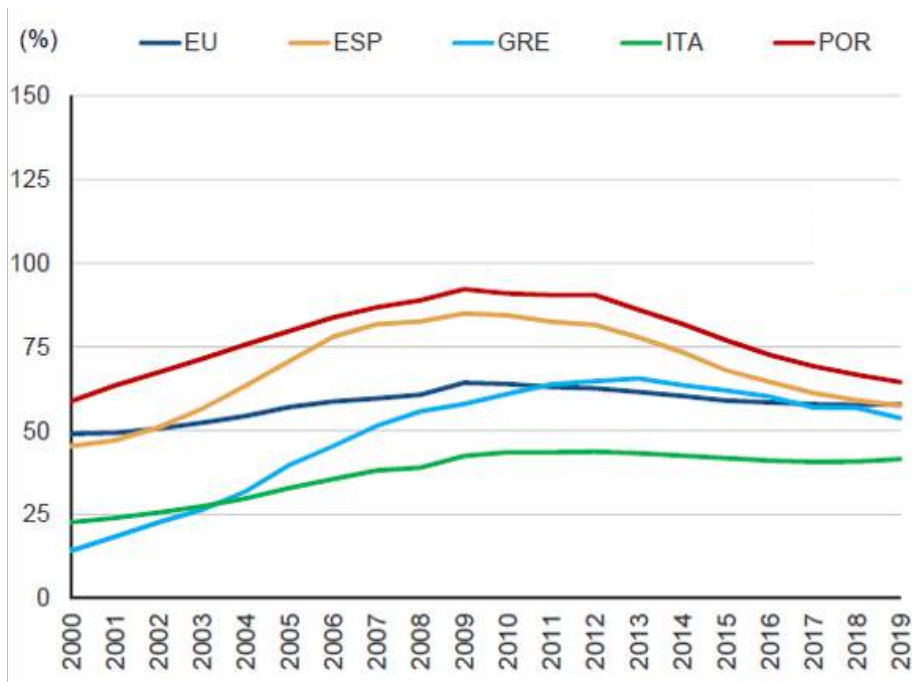


**Reforms of labour markets and restructuring of the financial sector.**

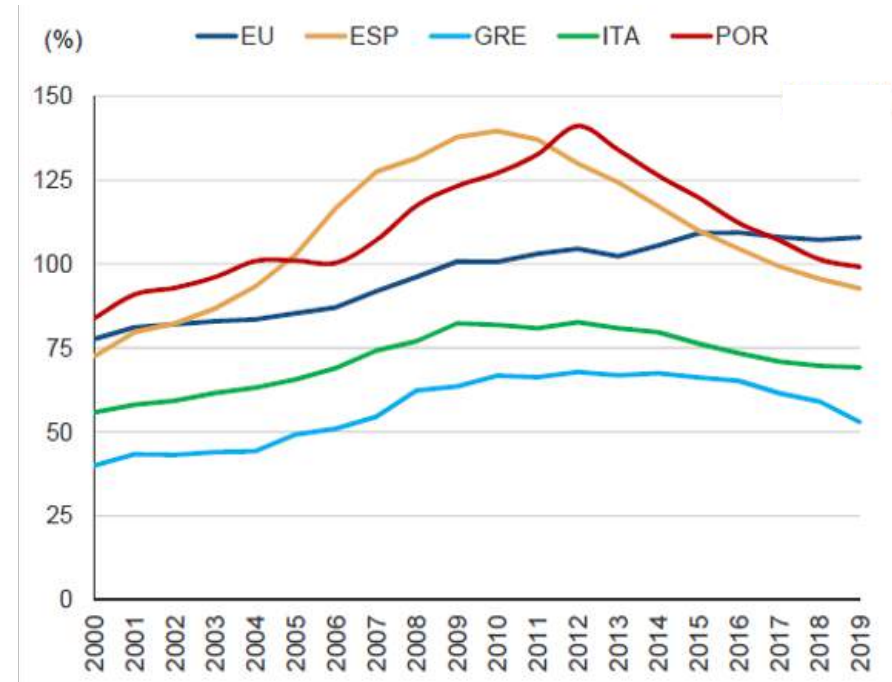
Source: INE, CIS.  
<sup>1</sup> 2019 data as of September 2019.

# OPERATIVE ENVIRONMENT - SPAIN

HOUSEHOLD DEBT: % OF GDP

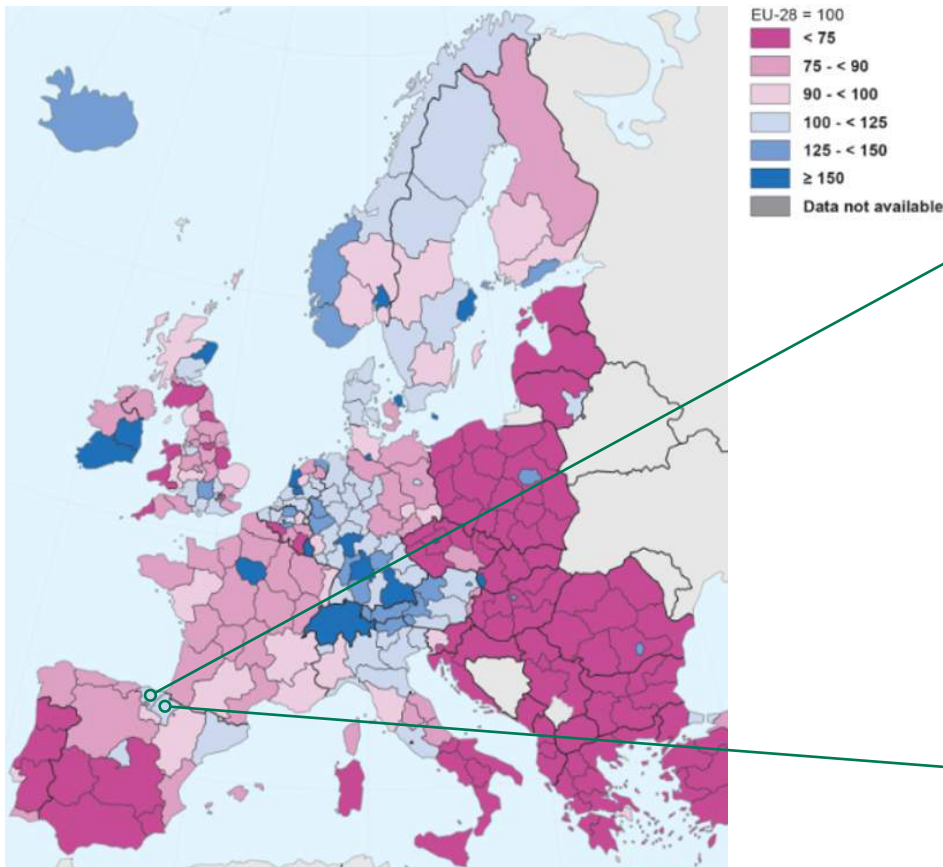


NON-FINANCIAL CORPORATES DEBT: % OF GDP



- Private sector leverage in Spain has hugely decreased in the last decade.

# OPERATIVE ENVIRONMENT – NAVARRRE AND BASQUE COUNTRY

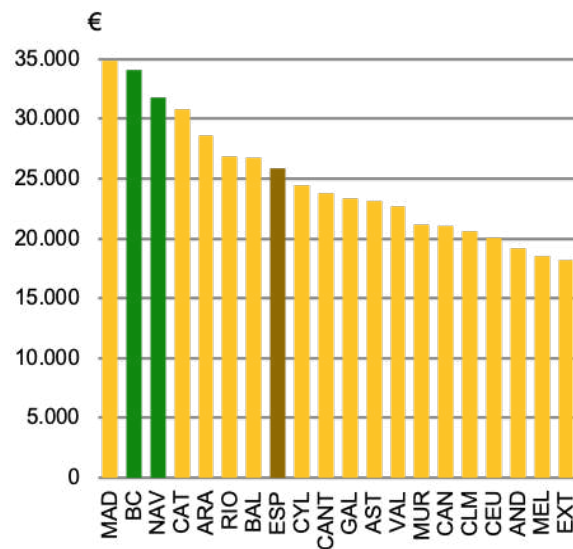


COUNTRY	REGION	GDP
ITA	Nord-Ovest	120
SWE	Västverige	120
BEL	Vlaams Gewest	120
ITA	Emilia-Romagna	119
DEU	Nordrhein-Westfalen	119
<b>ESP</b>	<b>País Vasco</b>	<b>118</b>
NOR	Agder og Rogaland	120
DEU	Freiburg	117
DEU	Hannover	117
DNK	Midtjylland	117
NOR	Trondelag	117
FRA	Nord-Est	117
DEU	Oberfranken	116
SWE	Over-Norrland	116
DEU	Rheinland-Pfalz	116
AUT	Steiermark	116
DEU	Detmold	116
BEL	Prov. West-Vlaanderen	115
GBR	Bedforshire and Hertfordshire	115
NOR	Nord-Norge	114
GBR	South East	114
DNK	Syddanmark	114
NDL	Limburg	114
NDL	Südösterreich	113
<b>ESP</b>	<b>Comunidad Foral de Navarra</b>	<b>113</b>
DEU	Kassel	113
ITA	Lazio	112
DEU	Niedersachsen	112
SWE	Södra Sverige	112
LIT	Sostines regionas	112

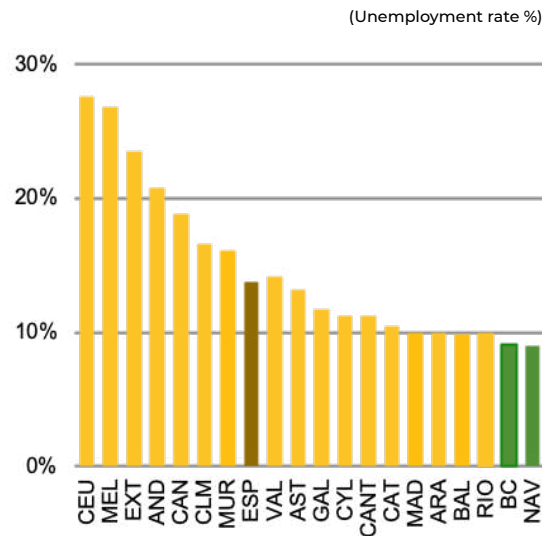
- GDP per capita comparable to other developed European regions and underpinning a much more stable economic environment.

# OPERATIVE ENVIRONMENT - NAVARRRE AND BASQUE COUNTRY

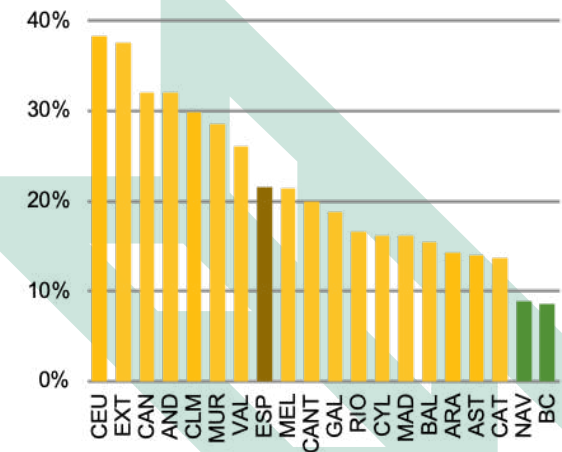
**NOM. GDP/CAPITA BY REGIONS (RELATED TO SPANISH AVERAGE) (4Q18)**



**UNEMPLOYMENT BY REGIONS (4Q19)**



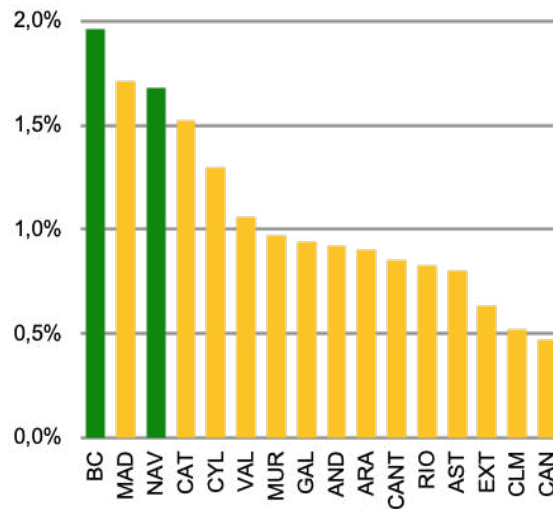
**POVERTY RISK RATE BY REGIONS (4Q18)**



- Unemployment is much lower and this pattern is historically stable. Regional unemployment for Navarre and Basque Country stands at around 60% of the Spanish average.
- GDP per capita is much higher than the national average. A more diverse and open economy ensures higher diversification.
- Social indicators (poverty, inequality, ...) are also among the best in Spain.

# OPERATIVE ENVIRONMENT - NAVARRRE AND BASQUE COUNTRY

**R&D/GDP (4Q18)**



**SPAIN: EXPORT AND IMPORT BY REGIONS (4Q18)**



- Navarre and the Basque Country are the most industrialised and export-oriented regions in Spain.
- They also are among those with a highest rate of investment in R&D.
- This economic environment positively impacts banking performance.

# OPERATIVE ENVIRONMENT

**Standard and Poor's rates the regions of Navarre and Basque Country two notches higher than Spain (AA - Vs A).**

**STANDARD  
& POOR'S**  
RATINGS SERVICES

## CITING FOR NAVARRA:

- *“Our rating on Navarre can be above that of Spain because we estimate that the region’s credit characteristics would make it more resilient than the sovereign in a stress scenario.”*
- *“Unique taxing powers, skilled financial management, and a sound economy support Navarre’s creditworthiness.”*
- *“Navarre ... has unique taxing powers ... Navarre collects taxes and transfers a portion of them to Spain’s central government in compensation for the services it provides in Navarre.”*
- *“Navarre’s economy is wealthier, more competitive and more export oriented than Spain’s.”*
- *“We believe Navarre’s high fiscal autonomy and sound financial management make it more resilient.”*



Urederra national park

### 3. LIQUIDITY MANAGEMENT

# LIQUIDITY MANAGEMENT

- Retail focus: Loan book growth financed by deposit taking (and SMEs mediation finance by ICO).
- CRN maintains a high volume of liquid assets, most of them eligible for monetary operations with ECB.
- Despite this strategy, CRN has been active in wholesale markets since 2001:
  - Domestic **Commercial Paper** Program.
  - **Schuldscheindarlehen** issues (private placements, all matured).
  - Senior FRN Caja Rural de Navarra 2006 (matured 2011).
  - **Senior Sustainable FRN** Caja Rural de Navarra 2017 (maturing 2022).
  - DSeveral **SME ABS and RMBSs** programs (developed through the Caja Rural Group since 2000).
  - **EIB** specific issuances.
    - SME & Midcaps.
    - SME & climate action.
  - **Public Issued Covered Bonds.**
    - 2013 Issue (matured 2018).
    - 2015 Issue (maturing 2022).
    - 2016 Sustainable Issue (maturing 2023).
    - 2018 Sustainable Issue (maturing 2025).
  - **Retained Covered Bond.**
    - 2018 Issue (maturing 2025).
  - **Covered Bond Private Placement** in 2014 (maturing 2029).

# LIQUIDITY MANAGEMENT

- The strategy has focused on diversifying liquidity sources and tapping different options, but this has never led to a change in a very conservative liquidity profile, which remains firmly based on a very stable deposit base. with no wholesale market dependence.
- *“Stable retail deposit base and low reliance on wholesale funding”* (Moody’s Credit Opinion Oct 2019).
- CRN aims at issuing Covered Bonds in order to follow its strategy of diversifying its funding base and tapping growth opportunities in its retail banking business.
- CRN’s Cédulas Hipotecarias (Mortgage Covered Bonds) are now rated Aa1 by Moody’s.
- CRN’s Covered Bonds in the secondary market have shown a solid trend consistent with its credit quality.





Tunnels in Irurzun

## 4. SUSTAINABILITY BOND FRAMEWORK AND EESG SEAL

# SUSTAINABILITY BOND FRAMEWORK

## A bank committed to Sustainability



COVERED BOND  
L A B E L



- As a cooperative, retail and regional financial institution, Caja Rural de Navarra is highly committed to a long-term engagement with its stakeholders.

- CRN is engaged with ESG agencies in an ongoing process of transparency.

- Further steps are envisaged, among them the publication of an specific ESG (Corporate Responsibility) annual report<sup>1</sup>.

- Dialogue and active participation in international initiatives within the “Sustainable Finance” development.

# SUSTAINABILITY BOND FRAMEWORK

## A bank committed to Sustainability

- The Corporate Social Responsibility Code of Conduct is a guide integrated in Caja Rural de Navarra and its employees' behaviour towards its social and economic environment, as a **retail, regional and cooperative** bank.
- The main goal is to apply some principles and duties that guide CRN and its employees' activities, with a long-term strategy view.



# SUSTAINABILITY BOND FRAMEWORK

## ESG Risk Rating

- The whole organisation is subject to Environmental, Social and Governance (ESG) standards that determine the focus, targets and policies of the Bank regarding different aspects of sustainability.
- The ESG rating awarded to Caja Rural de Navarra by Second-Party Opinion provider Sustainalytics ranks the Bank among the best performers in the financial sector.



**SUSTAINALYTICS ESG RISK RATING REPORT**

Date **Dec 17, 2019**

### Caja Rural de Navarra, Sociedad Cooperativa de Crédito

Regional Banks | Spain |

**16.3** Low Risk



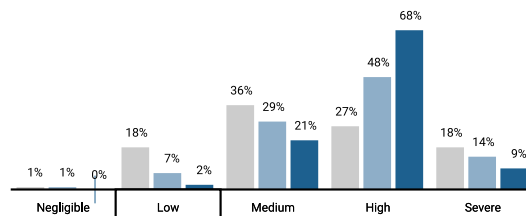
**Rating Overview**

The company is at low risk of experiencing material financial impacts from ESG factors, due to its low exposure and strong management of material ESG issues. The company is not publicly held, which reduces its corporate governance risk compared to its peers. However, the company has a moderate level of controversies.

**Momentum Score**

Not available due to a lack of comparable historical information

**ESG Risk Rating Distribution**






**Relative Performance**

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	1050 out of 12275	9th
Banks (Industry Group)	43 out of 941	5th
Regional Banks (Subindustry)	3 out of 389	2nd

# SUSTAINABILITY BOND FRAMEWORK

## Overview

### Caja Rural de Navarra's Sustainable Covered Bond at a glance:

- Public Sustainability Bond Framework<sup>1</sup> that is fully compliant with the ICMA's Sustainability Bond Guidelines and the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018.  
- High quality second party opinion provided by Sustainalytics<sup>2</sup>. 
- High quality sustainable asset pool has been identified, with a simple structure and with an additional information provided to investors (use of proceeds on the pool), as well as a regular audited annual impact reporting<sup>3</sup> of the Sustainable Bond as part of the Issuer's annual audited report .
- A transparent and robust project evaluation and selection process including several categories with clear eligibility criteria and additional exclusionary criteria.
- Previous Sustainable Bond issuances, targeting SRI investors:
  - CRUNAV 0.625 12/01/23 [🔗](#)
  - CRUNAV Float 06/21/22 [🔗](#)
  - CRUNAV 0.875 05/08/25 [🔗](#)
- Caja Rural de Navarra is committed to improve its sustainable framework since its inception, and as such, 'Building Energy Efficiency' has been added as a new criterion.

Source:

1- Sustainability Bond Framework. [🔗](#)

2 - Second Party Opinion (Sustainalytics). [🔗](#)

3 - Sustainability Impact Report. [🔗](#)

2020 Credit and Sustainability Framework **CRN**

# SUSTAINABILITY BOND FRAMEWORK

## Overview

**Caja Rural de Navarra’s Sustainable Covered Bond is a regular covered bond that follows the guidance provided by ICMA’s Green Bond Principles 2018, Social Bond Principals 2018 and 2018 Sustainability Bond Guidelines:**

Legal Status	Use of Proceeds	Eligible Projects Categories
<ul style="list-style-type: none"> <li>• CRN Sustainable Covered Bonds’ investors have the same level of protection, as Cédulas Hipotecarias (CH) investors.</li> <li>• Same legal framework applies (claims against the entire cover pool).</li> </ul>	<ul style="list-style-type: none"> <li>• Allocated towards lending to projects or activities aligned with CRN’s internal sustainability principles and Sustainability Bond Framework.</li> <li>• The projects or activities to be funded must meet CRN’s Sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable agriculture.</li> <li>• Renewable energy .</li> <li>• Energy efficiency.</li> <li>• Sustainable forest management.</li> <li>• Waste management..</li> <li>• Affordable housing.</li> <li>• Education.</li> <li>• Social and economic inclusion.</li> </ul>
Project Evaluation and Selection Process	Management of Proceeds	Reporting
<ul style="list-style-type: none"> <li>• Financial viability of the loans financed through the proceeds evaluated by the Credit Risk department.</li> <li>• Alignment with the sustainability eligibility criteria is assessed by the Sustainability Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of bond proceeds to be allocated to eligible projects or activities at the time of issuance.</li> <li>• Sufficient number of existing loans to utilize the entire proceeds of the sustainable bond.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual disclosure of the allocated proceeds to each eligible category outlined in the framework.</li> <li>• CRN’s annual report will be audited by an external auditor.</li> </ul>
Assurance		
<ul style="list-style-type: none"> <li>• Sustainalytics second party opinion and CRN’s audited annual report which includes reporting on the Sustainable Bond.</li> </ul>		

Source:  
 1 - Sustainability Bond Framework. [↗](#)  
 2- Annual Report. [↗](#)

# SUSTAINABILITY BOND FRAMEWORK

## Second Opinion

Sustainalytics is an independent provider of sustainability research, analysis, and services to investors. Sustainalytics has provided a second opinion on Caja Rural de Navarra’s sustainability bond issuance and the bond’s environmental and social credentials. The following statements are an extract from Sustainalytics Bond Framework and Opinion. 

### Alignment with best practices

- *“Sustainalytics is of the opinion... that the Caja Rural de Navarra’s Sustainability Bond Framework aligns with the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018”.*
- *“Sustainalytics believes that... the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals..”*

### Track record and Framework robustness

- *“Sustainalytics is of the opinion that CRN demonstrates a strong commitment to sustainability with a focus on growing its sustainable lending lines”.*
- *“Sustainalytics believes that Caja Rural de Navarra Sustainability Bond Framework is aligned with the Bank’s overall sustainability strategy and initiatives of the Company...”*
- *“Sustainalytics is confident that... Caja Rural de Navarra Sustainability Bond Framework is robust, transparent...”.*

### Sustainability commitments

- *“Sustainalytics recognizes the Issuer’s commitment to robust and transparent reporting on positive outcomes achieved by its financing activities.”*
- *“Both the allocation proceeds and impact reporting will be third-party verified. Based on these elements, Sustainalytics considers this process to be in line with market best practices.”*
- *“... CRN is committed to Do No Significant Harm Criteria as outlined by the EU draft taxonomy. Based on these policies, standards and assessments, Sustainalytics is of the opinion that CRN has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories”.*

# SUSTAINABILITY BOND FRAMEWORK

## Sustainable Development Goals (SDG)

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. CRN' framework advances the following SDG goals and targets:



- Education



- Renewable energy
- Energy efficiency



- Economic inclusion



- Social inclusion



- Affordable housing



- Sustainable agriculture
- Waste management



- Sustainable forest management

# SUSTAINABILITY BOND FRAMEWORK

## EESG Seal by DZ Bank

The Sustainability Rating of DZ BANK Sustainable Investment Research is based on an integrated analysis methodology which goes beyond the classical ESG perspective:



- **“EESG”:** Sustainability is an investment issue. Hence the economic dimension of sustainability (“E”) is included in the analysis.
- **Impact:** The environmental, social and long-term economic impacts of products and services are included in the sustainability assessment of an issuer.
- **Independent:** DZ BANK Research is organized as a division, reporting directly to the Board of Managing Directors and does not report to Capital Markets, which allows it to provide objective advice in the interests of a long-term customer relationship.

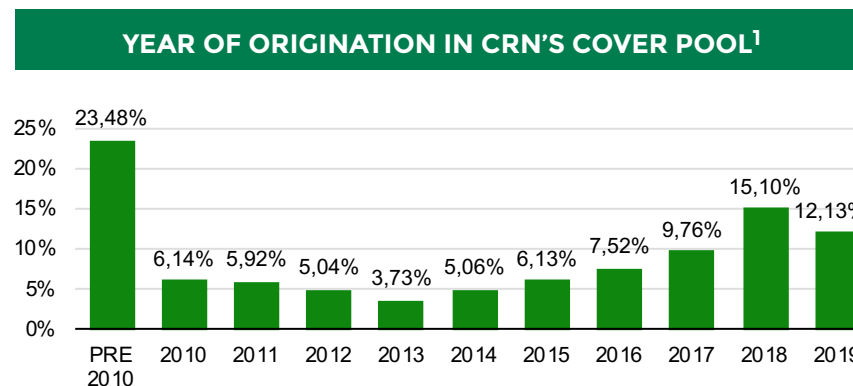


# SUSTAINABILITY BOND FRAMEWORK

## Energy efficiency new criterion: Building Energy Efficiency

**Caja Rural de Navarra included in December 2017 a new criterion to the Energy Efficiency Category: Building Energy Efficiency.**

- The new eligibility criterion will be to focus on its lending activities in either financing new buildings that must be among the 15% most energy efficient, or financing an appropriate upgrade that improves the buildings energy efficiency by 30% in the existing stock of buildings.
- The eligibility will be analysed through EPC energy labels, compulsory from 1st June 2013. The most energy efficient includes “A” and “B” categories, while the retrofiting will include final EPC or “A”, “B” and “C”.
- **“CRN loans financing to energy efficient buildings and retrofiting can therefore contribute to the improvement of the Spanish residential buildings stock energy efficiency”** (Sustainalytics).



<sup>1</sup> Data as of 31st December 2019.

# SUSTAINABILITY BOND FRAMEWORK

## EeMAP initiative

**The EEMI (Energy Efficient Mortgage Initiative) aims to create a standardised “energy efficient mortgage”, according to which building owners are incentivised to improve the energy efficiency of their buildings or acquire an already energy efficient property by way of preferential financing conditions linked to the mortgage.**



This project has received funding from the  
European Union's Horizon 2020  
research and innovation programme  
under grant agreement No 746205



- The EeMI is designed on the premise that the banking industry has the potential to play a game changing role in supporting the EU in meeting its EU energy savings targets.
- Assumptions:
  - Energy efficiency improvement of a property has a positive impact on property value, reducing a bank's asset risk.
  - Energy efficient borrowers have a lower probability of default as a result of more disposable income in the household due to lower energy bills, reducing a bank's credit risk.
- Caja Rural de Navarra works together with other European financial institutions in the Banking and Finance Committee in the cross-sectorial consultation.
- Principles, valuation guidelines and building performance assessment guidelines have been drafted and are under consultation.
- On December 2018 the EEMI launched a high-level, principles-based definition of the Energy Efficiency Mortgage (EEM).

# SUSTAINABILITY BOND FRAMEWORK

## Impact report

- CRN publishes on an annual basis (by June) a detailed impact report assessment covering all the sustainability categories.
- Key Performance Indicators (KPI) encompass a broad range of impact measurements well beyond those committed in CRN's Sustainability Framework and Second-Party Opinion by Sustainalitycs.
- Examples of impact assessment indicators included in this annual report are:
  - **Sustainable agriculture:**
    - Number of farmers granted with a green/sustainable label.
  - **Affordable housing:**
    - Personal circumstances: breakdown by age, number of children and average family income.
    - Local impact: distribution by size of town of domicile.
  - **Social inclusion<sup>1</sup>:**
    - Disability: number of beneficiaries.
    - Sport and culture: number of institutions and participants involved.
    - Social Exclusion: number of associations and covered population.
    - Social and health care.
  - **Economic inclusion<sup>2</sup>:**
    - SMEs by size, turnover and sector.
    - Loan performance status.
    - Number of workers.



[Sustainability Impact Report](#) 

<sup>1</sup> Social inclusion: development of cultural facilities and job training for socially/economically marginalized groups, youth, unemployed or physically or mentally disabled populations, improvement of teaching and use of regional or minority languages.

<sup>2</sup> Economic inclusion: provision of microfinance loans to increase financial inclusion and micro enterprise financing . Lending to micro-entrepreneurs and SMEs.

# SUSTAINABILITY BOND FRAMEWORK

## Use of Proceeds

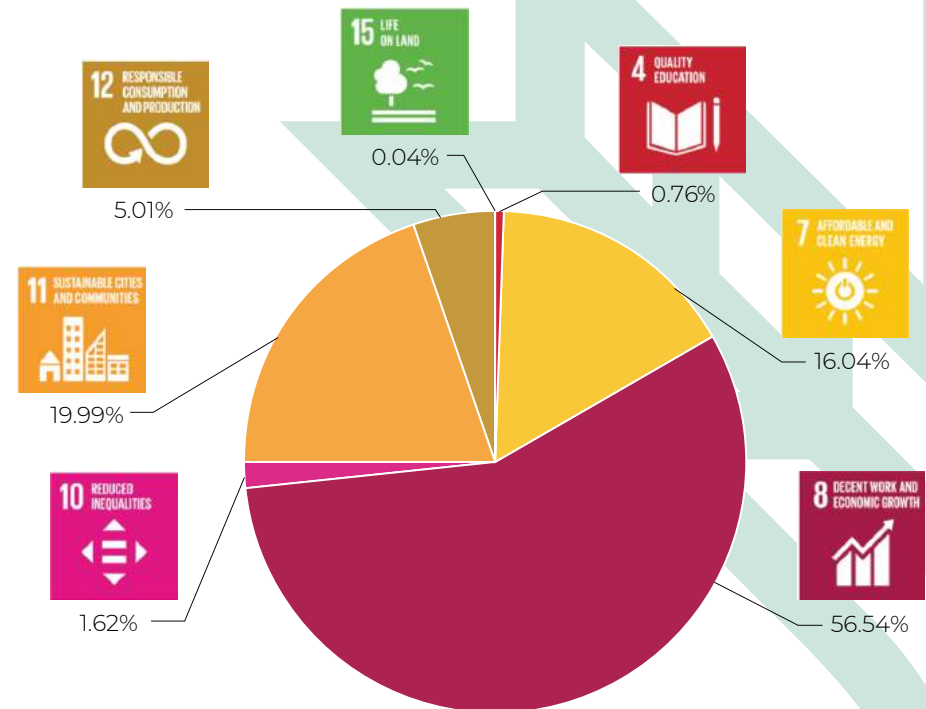
The proceeds of the Sustainability Bond will be allocated towards **existing or new lending projects or activities** that meet one or more of the following **eligibility criteria**:

### SUSTAINABLE PROJECTS / ACTIVITIES

Sustainable agriculture
Renewable energy
Energy efficiency
Sustainable forest management
Waste management
Affordable housing
Social inclusion <sup>1</sup>
Education
Economic inclusion <sup>2</sup>

### CURRENT SUSTAINABLE PORTFOLIO

€134,713,693
€40,569,768
€463,735,384
€1,298,688
€22,889,927
€628,560,132
€50,888,474
€24,028,003
€1,777,932,762
<b>€3,144,616,830.92</b>



<sup>1</sup> Social inclusion: development of cultural facilities and job training for socially/economically marginalized groups, youth, unemployed or physically or mentally disabled populations, improvement of teaching and use of regional or minority languages.

<sup>2</sup> Economic inclusion: provision of microfinance loans to increase financial inclusion and micro enterprise financing . Lending to micro-entrepreneurs and SMEs.

# SUSTAINABILITY BOND FRAMEWORK

## Use of Proceeds



Unión Europea  
Fondo Social Europeo  
"El FSE invierte en tu futuro"

### **Social inclusion:** Eointegra enterprise

- Created by ASPACE Navarra (association of cerebral palsy care).
- CRN has financed its facilities, where 90% of the 40 employees are disabled.
- Moreover, its activity focuses on recycling household electrical appliances.
- Environment certificate ISO 14001:2004.



# SUSTAINABILITY BOND FRAMEWORK

## Use of Proceeds



**Waste management:** trasa (Tratamiento Subproductos Agroalimentarios S.L.)

- CRN has financed facilities for treatment and valorization of agri-food by-products.
- The firm was awarded as “Innovative SME” in 2018 by the Spanish Minister of Economy and Competitiveness.
- This project was co-financed with the ERDF (European Regional Development Fund) through 2014-2020 FEDER funds.





Castle of Olite

## 5. COVER BOND LABEL



COVERED BOND  
"LABEL"

## COVER POOL Covered Bond Label








**A Covered Bond Labelled sustainable covered bond is a covered bond that is fully compliant with the Covered Bond Label Convention, and also includes a formal commitment by the issuer to use an amount equivalent to the proceeds of that same covered bond to (re)finance loans in clearly defined environmental (green), social or a combination of environmental and social (sustainable) criteria.**



COVERED BOND  
L A B E L

“Covered Bond Labelled sustainable covered bond programs” are based on their issuer’s sustainable bond framework which has been verified by an independent external assessment. The issuer strives, on a best efforts basis, to replace eligible assets that have matured or are redeemed before the maturity of the bond by other eligible assets.

### BOND LISTS: Caja Rural de Navarra, Credit Coopetarive

ISIN	Pool Identifier	Initial Date of Issuance	Maturity Date	Face value <sup>1</sup>	Coupon	Syn.	Listed	Tapped	Mat. <sup>2</sup>	EEA <sup>3</sup>	LCR <sup>4</sup>
 ESo415306077	Covered Bo...	27/11/2018	27/11/2025	EUR300,000,000	Fixed	Yes	No	No	HB	Yes	2A
  ESo415306069	Covered Bo...	08/05/2018	08/05/2025	EUR500,000,000	Fixed	Yes	Yes	No	HB	Yes	1
  ESo415306051	Covered Bo...	01/12/2016	01/12/2023	EUR500,000,000	Fixed	Yes	Yes	No	HB	Yes	1
 ESo415306036	Covered Bo...	16/03/2015	16/03/2022	EUR500,000,000	Fixed	Yes	Yes	No	HB	Yes	1
 ESo415306028	Covered Bo...	07/02/2014	07/02/2029	EUR 50,000,000	Fixed	No	Yes	No	HB	Yes	N/A

Covered bond label - CRN [🔗](#)

## COVER POOL Mortgage Portfolio Overview

<b>Total mortgage cover pool</b>	€4.834bn
<b>Substitution Assets</b>	€ 0m
<b>Outstanding covered bonds</b>	€1,850m
<b>Total overcollateralization (%)</b>	161.27%
<b>Central Bank eligible covered bonds</b>	€1,850m
<b>Fixed rate covered bonds (%)</b>	100.0%
<b>Number of loans</b>	45,290
<b>Number of debtors</b>	66,204
<b>Average loan size</b>	€106,723
<b>Average LTV (%)</b>	59.18%
<b>Average seasoning (months)</b>	74.04
<b>Average remaining maturity (years)</b>	19.30
<b>Average rate (%)</b>	1.28%
<b>90+ days arrears (cover pool)</b>	1.31%
<b>90+ days arrears (residential cover pool)</b>	0.86%
<b>Floating rate loans (%)</b>	90.14%
<b>Loans in Euros (%)</b>	100.00%

Note: Cut-off date: 31st March 2020.

2020 Credit and Sustainability Framework **CRN**

# COVER POOL Residential and Commercial Mortgage Portfolio

## RESIDENTIAL

Total amount (Million of euro)	€3,679
Number of loans	39,452
Number of borrowers	61,012
Average loan balance	€93,245
Interest only loans	0.27%
WA LTV (%)	57.90%
WA Seasoning (months)	79.58
WA Remaining Maturity (years)	22.01
WA Rate (%)	1.10%
Floating Rate loans (%)	90.91%
Arrears >90 days (%)	0.86%
10 largest exposures (%)	0.29%

## COMMERCIAL

Total amount (Million of euro)	€1,155
Number of loans	5,838
Number of borrowers	5,192
Average loan balance	€197,803
Interest only loans	1.62%
WA LTV (%)	63.27%
WA Seasoning (months)	56.40
WA Remaining Maturity (years)	10.66
WA Rate (%)	1.83%
Floating Rate loans (%)	87.69%
Arrears >90 days (%)	2.73%
10 largest exposures (%)	8.30%

## GEOGRAPHICAL DISTRIBUTION

Navarre	46.45%
Basque Country	43.82%
La Rioja	7.44%
Other Spanish regions	2.29%

## GEOGRAPHICAL DISTRIBUTION

Navarre	45.50%
Basque Country	40.55%
La Rioja	10.25%
Other Spanish regions	3.70%

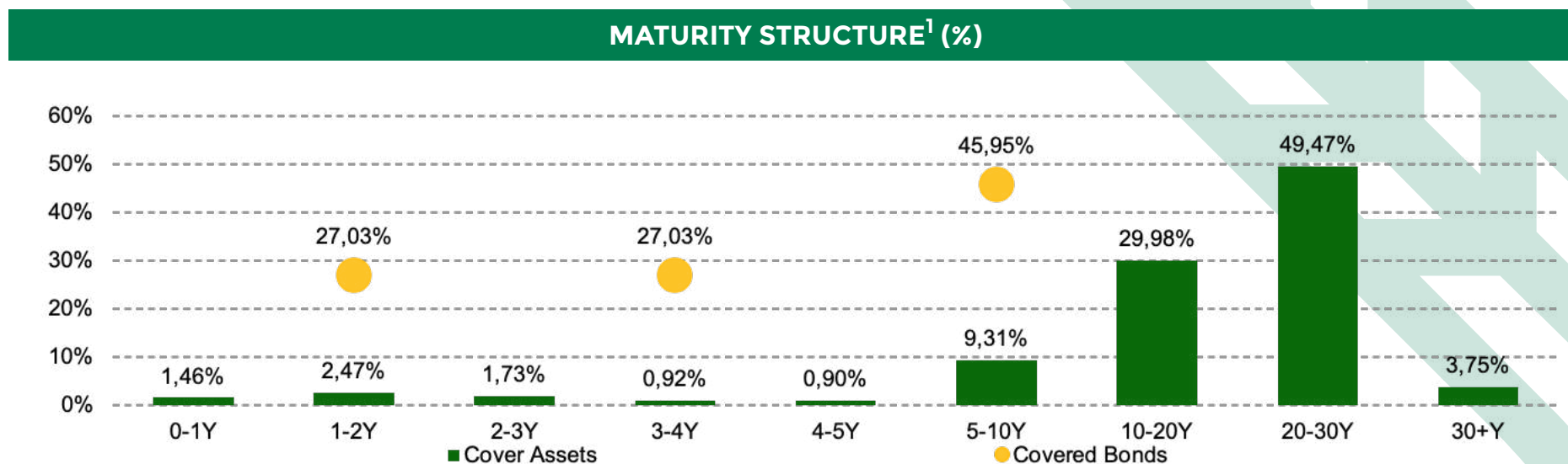
Note: Cut-off date: 31st March 2020.

<sup>1</sup> Current Loan Balance calculated on a WA basis.

2020 Credit and Sustainability Framework **CRN**

# COVER POOL Outstanding Covered Bonds

COVERED BONDS						
ES0415306036	500M	Public issue	Fixed rate	16-03-2022	EUR	Aa1
ES0415306051	500M	Public issue	Fixed rate	01-12-2023	EUR	Aa1
ES0415306069	500M	Public issue	Fixed rate	08-05-2025	EUR	Aa1
ES0415306077	300M	Retained issue	Fixed rate	27-11-2025	EUR	Aa1
ES0415306028	50M	Private Placement	Fixed rate	07-02-2029	EUR	Aa1

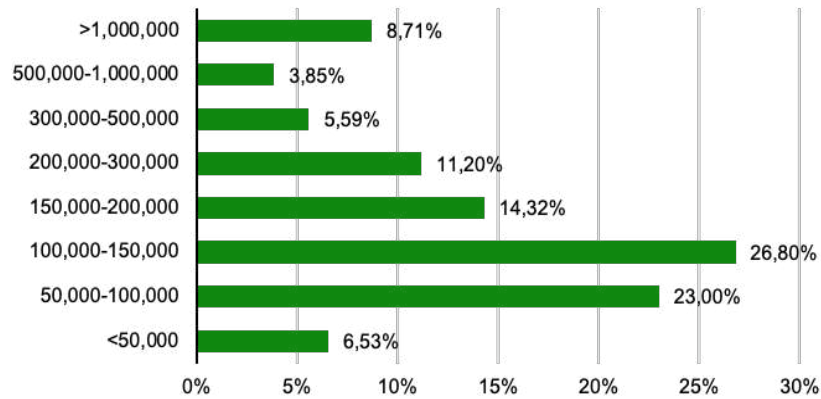


Note: Cut-off date: 31st March 2020.

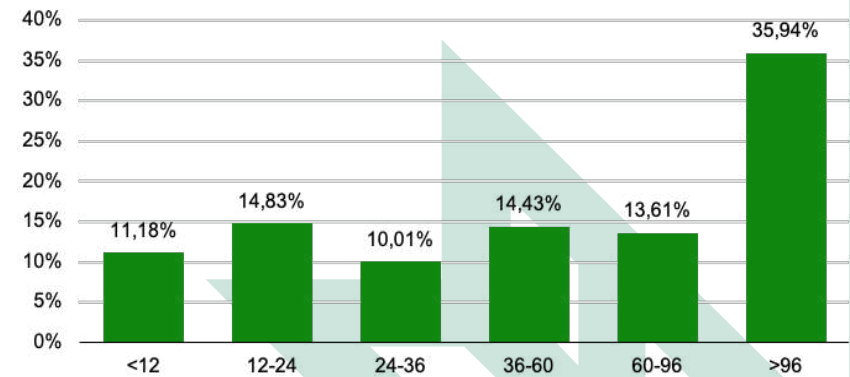
<sup>1</sup> Cover Assets maturity calculated on a final maturity basis.

# COVER POOL Total Mortgage Portfolio

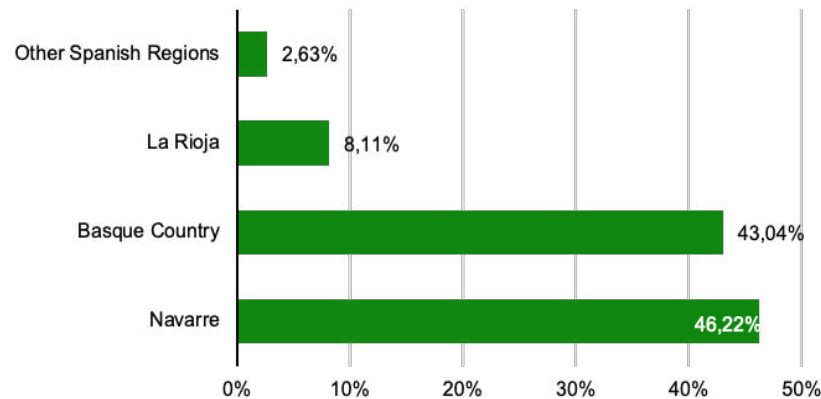
## BREAKDOWN BY CURRENT LOAN BALANCE<sup>1</sup>



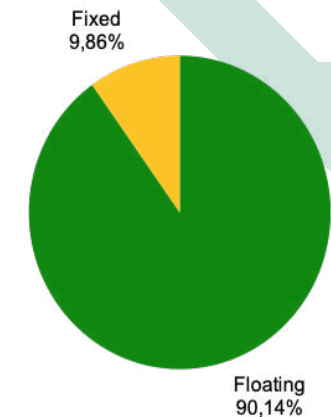
## BREAKDOWN BY LOAN SEASONING



## GEOGRAPHICAL DISTRIBUTION



## REFERENCE RATE



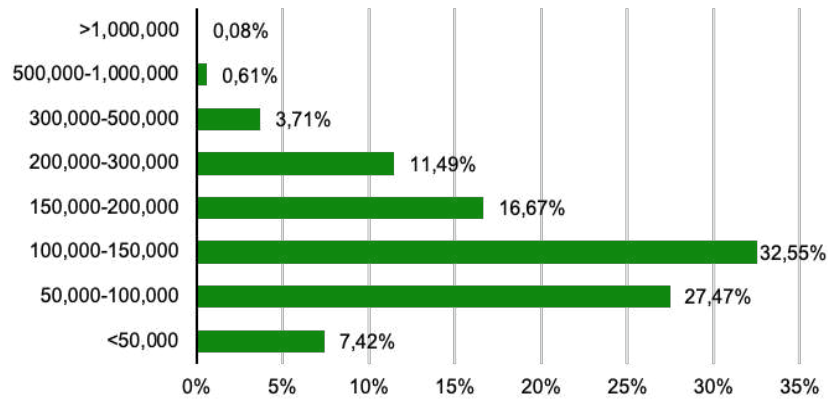
Note: Cut-off date: 31st March 2020.

<sup>1</sup> Current Loan Balance calculated on a WA basis.

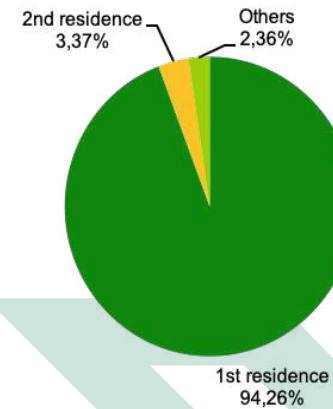
2020 Credit and Sustainability Framework **CRN**

# COVER POOL Residential Mortgage Portfolio

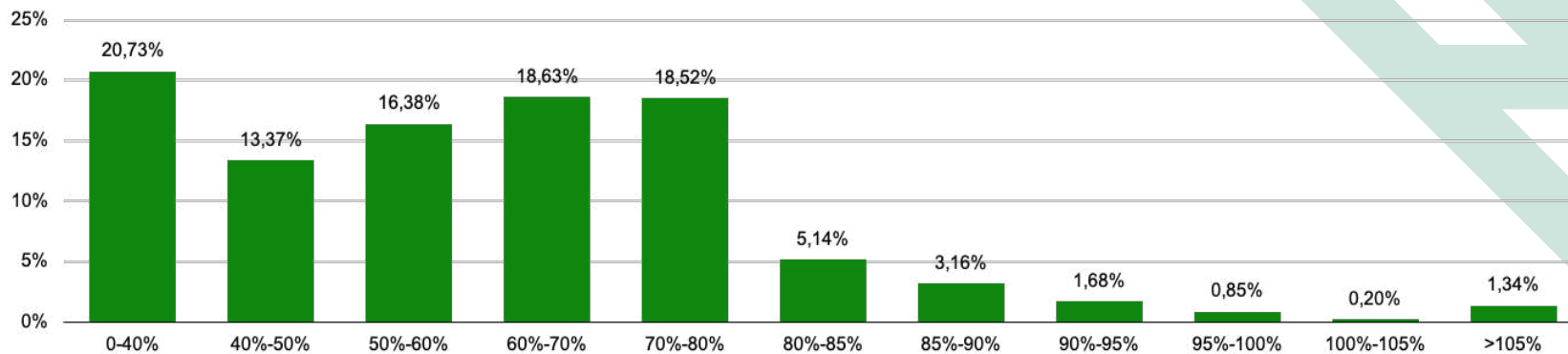
## RESIDENTIAL-BREAKDOWN BY LOAN SIZE<sup>1</sup>



## RESIDENTIAL-BREAKDOWN BY PROPERTY TYPE



## RESIDENTIAL-BREAKDOWN BY LTV



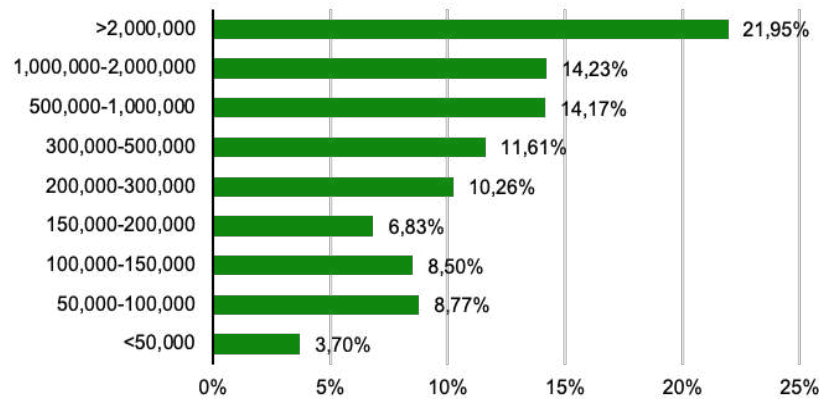
Note: Cut-off date: 31st March 2020.

<sup>1</sup> Current Loan Balance calculated on a WA basis.

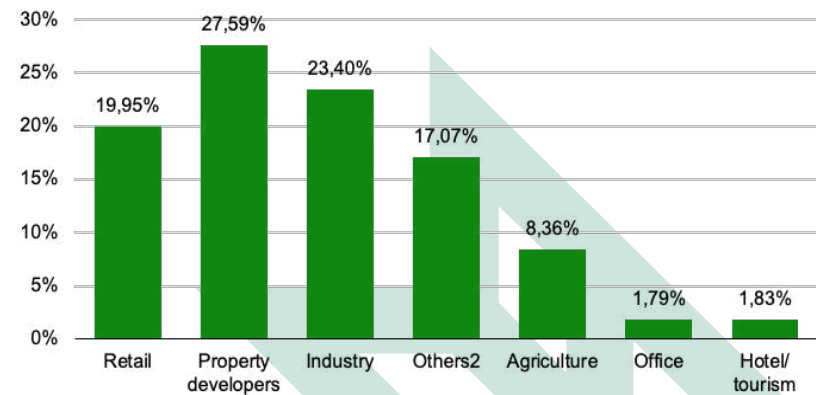
2020 Credit and Sustainability Framework **CRN**

# COVER POOL Commercial Mortgage Portfolio

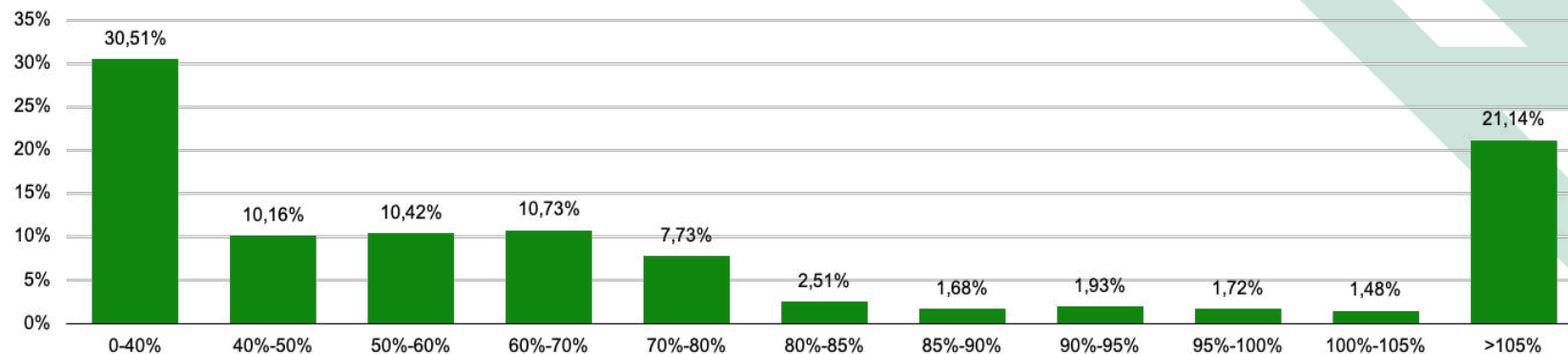
## COMMERCIAL-BREAKDOWN BY LOAN SIZE<sup>1</sup>



## COMMERCIAL-BREAKDOWN BY PROPERTY TYPE



## COMMERCIAL-BREAKDOWN BY LTV



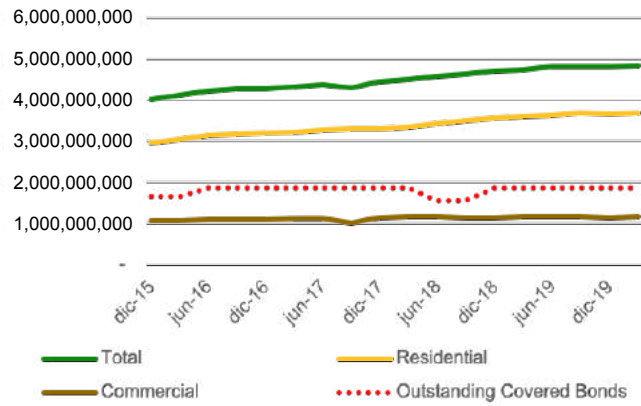
Note: Cut-off date: 31st March 2020.

<sup>1</sup> Current Loan Balance calculated on a WA basis.

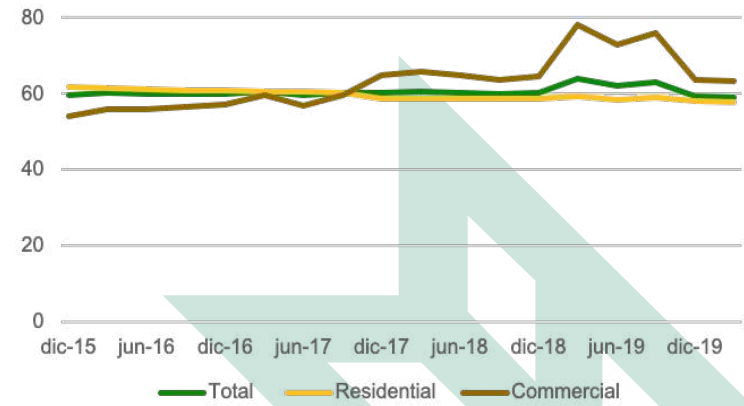
<sup>2</sup> "Others" category includes housing.

# ANALYSIS

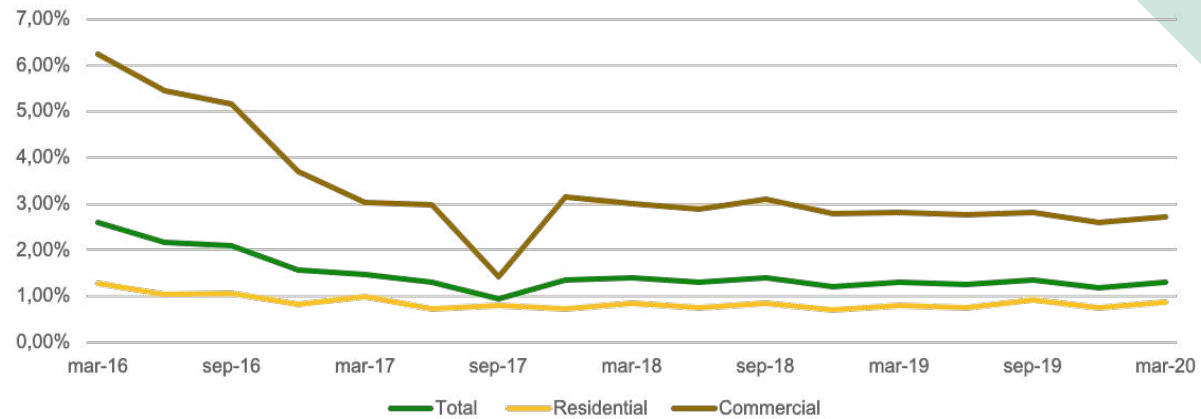
## MORTGAGE COVER POOL



## LTV

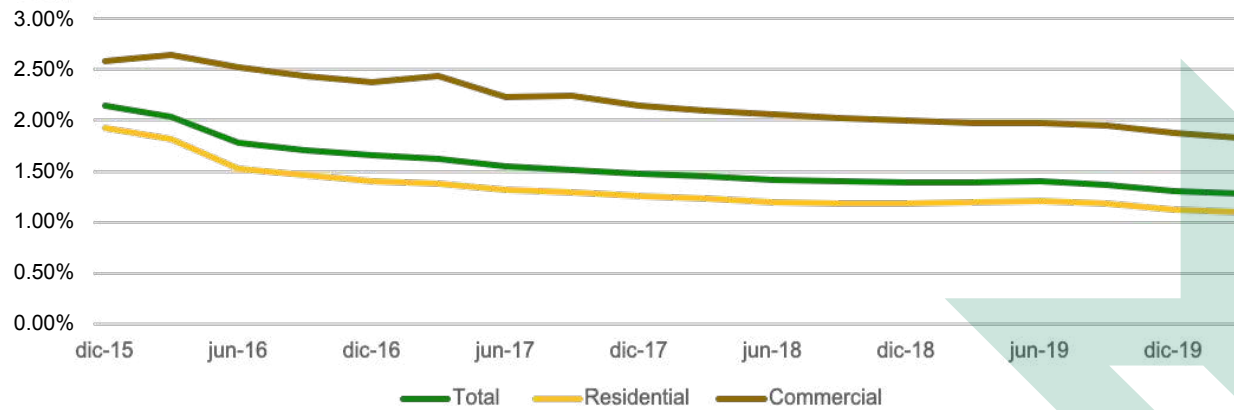


## NPL

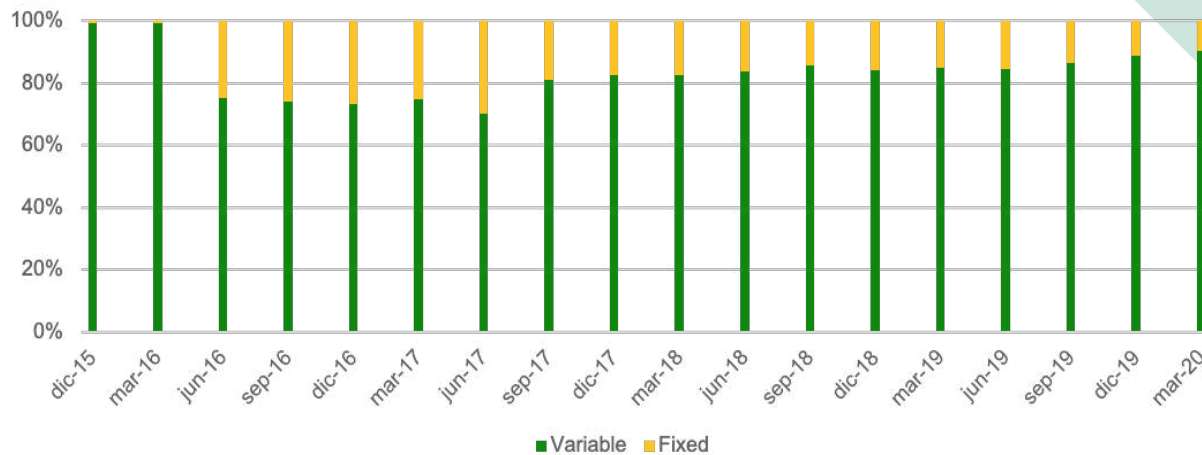


# ANALYSIS

## AVERAGE INTEREST RATE



## INTEREST RATE (TOTAL MORTGAGE PORTFOLIO)





Caja Rural cycling team

## 6. CAJA RURAL GROUP

## CAJA RURAL GROUP Main Features

- **The Group is the result of the will of the Spanish regional co-operative banks to join forces and obtain synergies and economies of scales, while remaining independent financial institutions.**
- **Different business strategy** to that developed in the past by other Spanish financial institutions: local focused, no capital markets dependence, no aggressive expansion.
- All members enjoy a **relevant market share** in their home regions and develop a similar business model adapted to the diverse features of each area.
- **Total assets of €67.1 billion and €5.4 billion of equity.**
- **8,434 employees. 2,314 branches** and a wide presence in the different Spanish regions. More than **€6.5 million clients and more than 1.5 million co-operative members.**



The medieval castle of Artajona

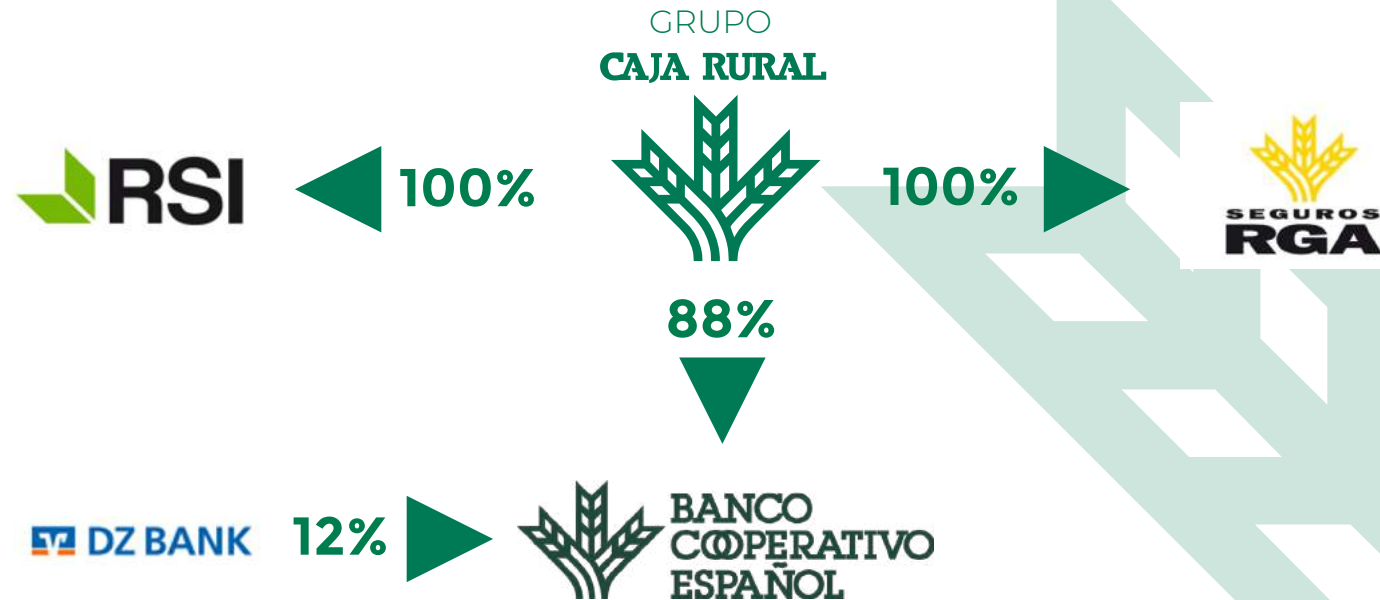
## CAJA RURAL GROUP Main Features

- The Group has become in 2018 an **Institutional Protection Scheme (IPS)** following the requirements established in article 113.7 of Regulation (EU) No. 575 / 2013 (CRR).
- Therefore, the 29 cooperative members of the Spanish Association of Rural Banks (AEER), together with their central banking institution (Banco Cooperativo Español SA) **operate as an IPS with regulatory recognition, and maintain their longstanding model of pooling resources at a national level to obtain economies of scale while retaining their independence and regional focus.**
- No material impact in the solvency ratios of Caja Rural de Navarra is foreseen regarding the creation of the IPS.



The Alcala Door of Madrid

# CAJA RURAL GROUP Group Institutions



## CAJA RURAL GROUP Group Institutions

- **Banco Cooperativo Español**

- Central treasurer for Group members. Access point to markets: Interbank, Fixed Income, Derivatives, RMBS issues...
- Custody and payment services.
- Asset manager and Private Banking.
- Syndicated loans.
- Leasing / Renting.
- International relations (UNICO banking group).
- Asset and Liabilities analysis and management tools.
- ECB Collateral management.

- **Rural Servicios Informáticos (RSI)** – IT service provider.

- **Rural Grupo Asegurador (RGA)** – Insurance, Pension funds...

- **Espiga Capital** – Private equity.

- **Asociación Española de Cajas Rurales (AECR)** – Strategic Decision and management of the Caja Rural Group.

# ANNEX-LINK ATTACHMENTS

LINK ATTACHMENTS		
Page	Link description	Link
22	S&P: Research report: Autonomous Community of Navarre	<a href="https://www.navarra.es">https://www.navarra.es</a>
27	1 - CRN Corporate Social Responsibility Report	<a href="https://www.cajaruraldenavarra.com/sites/default/files/MEMORIA-RSC-Caja-Rural-de-Navarra-2019-BJ-EN.pdf">https://www.cajaruraldenavarra.com/sites/default/files/MEMORIA-RSC-Caja-Rural-de-Navarra-2019-BJ-EN.pdf</a>
29	1 - ESG Risk Rating Report	<a href="https://www.cajaruraldenavarra.com/sites/default/files/2020-04/CRN_RiskRatingsReport_2020.pdf">https://www.cajaruraldenavarra.com/sites/default/files/2020-04/CRN_RiskRatingsReport_2020.pdf</a>
30	CRUNAV 0,625 12/01/23	<a href="https://hypo.org/emf/press-release/covered-bond-label-enhances-transparency-sustainable-finance-caja-rural-de-navarra-receives-110th-label/">https://hypo.org/emf/press-release/covered-bond-label-enhances-transparency-sustainable-finance-caja-rural-de-navarra-receives-110th-label/</a>
30	CRUNAV Float 06/21/22	<a href="https://sustainabonds.com/crn-reinforces-sustainable-shift-gets-label-senior-debut/">https://sustainabonds.com/crn-reinforces-sustainable-shift-gets-label-senior-debut/</a>
30	CRUNAV 0.875 05/08/25	<a href="https://sustainabonds.com/spain-positives-lift-enhanced-crn-sustainable-cedulas-to-heights/">https://sustainabonds.com/spain-positives-lift-enhanced-crn-sustainable-cedulas-to-heights/</a>
30	1 - Sustainability Bond Framework	<a href="https://www.cajaruraldenavarra.com/sites/default/files/202003-CRN-sustainability-bond-framework.pdf">https://www.cajaruraldenavarra.com/sites/default/files/202003-CRN-sustainability-bond-framework.pdf</a>
30	2 - Second Party Opinion (Sustainalytics)	<a href="http://www.cajaruraldenavarra.com/sites/default/files/2020-04/202003-SPO-Sustainalytics-Caja-Rural-Navarra.pdf">http://www.cajaruraldenavarra.com/sites/default/files/2020-04/202003-SPO-Sustainalytics-Caja-Rural-Navarra.pdf</a>
30	3 - Sustainability Impact Report	<a href="https://www.cajaruraldenavarra.com/sites/default/files/2019-Loan-porfolio-impact-report_0.pdf">https://www.cajaruraldenavarra.com/sites/default/files/2019-Loan-porfolio-impact-report_0.pdf</a>
31	1 - Sustainability Bond Framework	<a href="https://www.cajaruraldenavarra.com/sites/default/files/202003-CRN-sustainability-bond-framework.pdf">https://www.cajaruraldenavarra.com/sites/default/files/202003-CRN-sustainability-bond-framework.pdf</a>
31	2- Annual Report	<a href="https://www.cajaruraldenavarra.com/sites/default/files/2019-Annual-Report-CajaRuraldeNavarra.pdf">https://www.cajaruraldenavarra.com/sites/default/files/2019-Annual-Report-CajaRuraldeNavarra.pdf</a>
32	1 - Second Party Opinion (Sustainalytics)	<a href="http://www.cajaruraldenavarra.com/sites/default/files/2020-04/202003-SPO-Sustainalytics-Caja-Rural-Navarra.pdf">http://www.cajaruraldenavarra.com/sites/default/files/2020-04/202003-SPO-Sustainalytics-Caja-Rural-Navarra.pdf</a>
33	1 - Sustainable Development Goals Webpage	<a href="http://www.un.org/sustainabledevelopment/sustainable-development-goals/">http://www.un.org/sustainabledevelopment/sustainable-development-goals/</a>
36	Energy efficient mortgages initiative (EEMI)	<a href="https://energyefficientmortgages.eu/">https://energyefficientmortgages.eu/</a>
37	Sustainability Impact Report	<a href="https://www.cajaruraldenavarra.com/sites/default/files/2019-Loan-porfolio-impact-report_0.pdf">https://www.cajaruraldenavarra.com/sites/default/files/2019-Loan-porfolio-impact-report_0.pdf</a>
39	Aspace - Ecointegra	<a href="https://www.aspacenavarra.org/planta-de-tratamiento-de-raees-ecointegra-aoiz">https://www.aspacenavarra.org/planta-de-tratamiento-de-raees-ecointegra-aoiz</a>
39	Ecointegra Video	<a href="https://www.youtube.com/watch?v=OWwjpxDqfXA">https://www.youtube.com/watch?v=OWwjpxDqfXA</a>
40	trasa	<a href="http://www.trasa.es">http://www.trasa.es</a>
42	Covered bond label - CRN	<a href="https://www.coveredbondlabel.com/issuer/147/">https://www.coveredbondlabel.com/issuer/147/</a>

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